Member of the European Parliament,
Committee on Industry, Research and Energy

Climate Alliance

FEDARENE

Brussels, 11 April 2016

Dear Member of the European Parliament,

This is a decisive moment for Energy Efficiency policy in Europe as you are about to co-decide whether this most sustainable source of energy will be enforced at the heart of our energy system. Both the Energy Efficiency (EED) and Energy Performance of Buildings Directive (EPBD) are currently being discussed in the framework of a new Energy Efficiency Package to be launched by the European Commission in September 2016.

This letter aims to bring to your knowledge a contradiction between the European energy efficiency policy objectives and the European System of National and Regional Accounts (ESA10). The EED defines a 3% annual renovation rate target for publicly owned buildings since 2014[1] and the national minimum performance requirements are defined in the EPBD. Climate Alliance is committed to make efforts to comply with both major EE directives asking the public sector "to lead by example", to provide "best practice cases", to test and apply "new renovation techniques and financing models to seize the opportunity". Renovated public buildings should be the frontrunners in quality, number and ambition via deep-renovations. This will prepare the market-uptake for wider deployment of refurbishment programs, as foreseen in the long-term renovation roadmaps.

Achieving these objectives requires substantial up-front investments, and with an annual funding gap of €30-50 billion, the current investment rate is currently less than 50% of the level needed to meet the EU's 2020 EE targets[2]. In many cases, such investment is made by regional and local authorities via the conclusion of energy performance contracts involving a third party to renovate administrative buildings, local schools, hospitals etc.

However, the accounting treatment for energy performance contracting, recently outlined by Eurostat (07/08/2015), constitutes a major burden to the roll-out of energy performance contracts. Eurostat defines energy efficiency investments by default as government expenditure and thus increasing the debt level. European regional and local public authorities need to have this rule changed so that energy performance contracts are considered "off-balance". This change would incentivize energy efficiency investments via public-private financial schemes and would support a vivid market for energy service companies (ESCOs), hence creating the most needed local jobs.

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[1] Since 9 July 2015 is the exemplary role of public buildings further strengthened by reducing the requirement of the total useful floor area from 5000 m^2 to 250 m^2 for both the energy performance certificates (Art. 12, EPBD) and the 3 % rate of renovations in public buildings (Art.5, EED)

[2] COM (2012) Consultation paper: "Financial Support for Energy Efficiency in Buildings" mentioned by the European Climate Foundation Letter towards the European Commission (April 2016).

Different solutions are being explored at the moment. Amongst them, we propose that energy performance contracts are not considered any more “capital expenditure” (debt) but “operating cost” with a cost-saving nature or in other words, as assets instead of one-time costs. Such a reform is of course fully compliant with the Stability Pact.

Climate Alliance, and its 1,700 member local authorities regret that the ESA10 interpretation for energy performance contracts accounting prohibits public authorities across the entire EU from refurbishing buildings, which would deliver net economic benefits and stimulate local jobs and growth in your constituency. We urge you to advocate, notably towards the European Commission, in favor of this necessary adaptation of European accounting rules.

Yours sincerely,

Tine Heyse
President of Climate Alliance

Julije Domac

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ABOUT Climate Alliance

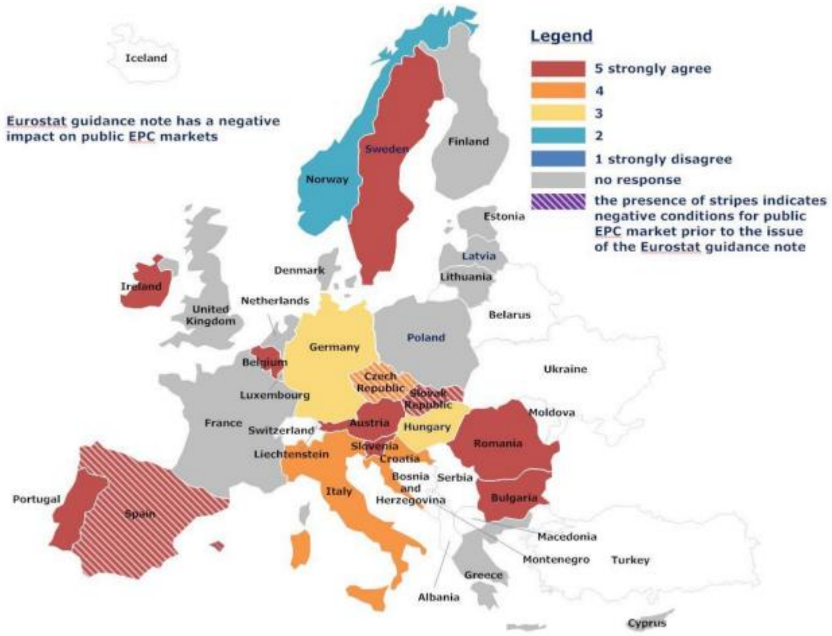
"Climate Alliance of European Cities with the Indigenous Rainforest Peoples" is the largest city network committed to climate protection and preservation of the tropical rainforests. Since 1990, Climate Alliance has supported a total of now almost 1,700 members from 24 European countries in attainment of their voluntary commitments to reduce CO2 emissions by ten percent every five years and to halve per capita emissions by 2030 at the latest (base year 1990).

ABOUT FEDARENE

FEDARENE is a European network of regional and local energy agencies and governments, which facilitate and/or implement sustainable energy policies and measures at the regional and local levels. As a non-profit organisation, the network counts today around 70 members from 20 EU and EEA countries. FEDARENE's activities include: providing an ongoing information service to its members on EU policy developments and funding programmes; keeping an up-to-date online database of best practices to encourage replication; facilitating the forming of project partnerships for Calls for proposals; preparing position papers on European legislation and programmes; participating in consultations to represent the voice of regions.

Annex

EU ESCO and EFIEES conducted a survey on the impact of the Eurostat note on Energy Performance Contracts, the results can be found here. The survey asked respondents to quantify the impact of the Eurostat guidance note on a scale from 1 to 5, from "strongly disagree" to "strongly agree":



The survey concluded "The impact of EPCs on government accounts" clearly indicate that respondents from ten Member States: Austria, Belgium, Bulgaria, Ireland, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden strongly agreed that the Eurostat note had a negative impact on public EPC markets in their respective countries.

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